BRN Digital Asset H2 Outlook 2026

July 2026

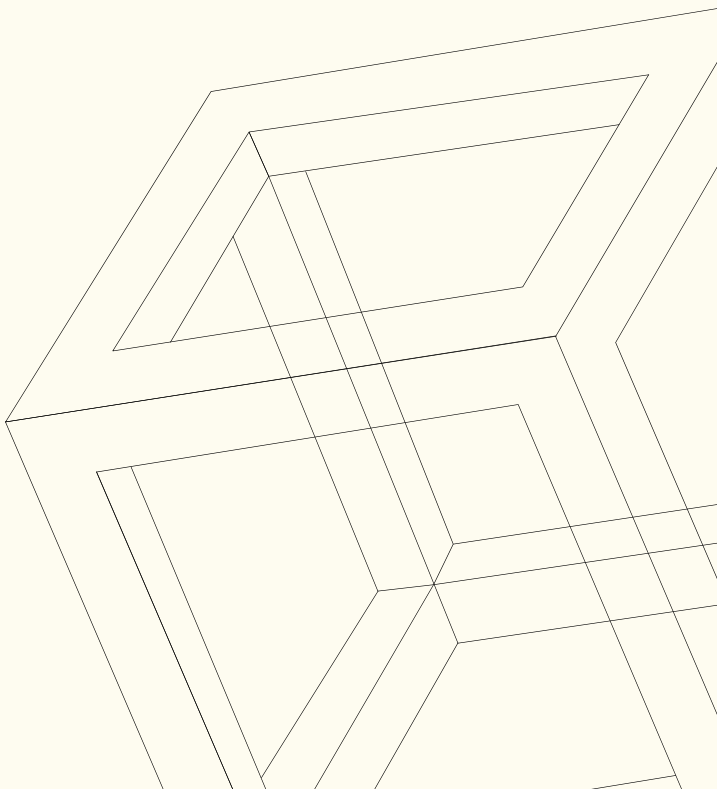


Table of Contents

Introduction 03

Executive Summary 04

Bitcoin's H2 2026: Structural Support Held — Now the Recovery Needs Confirmation 06

Ethereum's H2 2026: Infrastructure Thesis Intact, Price Recovering From Its Floor 17

Introduction

The first half of 2026 was defined by a sequence of events that tested the institutional digital asset thesis more than any period since the 2022 cycle low. Bitcoin fell from mid-cycle highs into the high-$50,000s. Ethereum declined roughly 30% from May peaks to early-June lows. Spot ETF products, which had been the dominant narrative underpinning the institutionalization of crypto in 2024 and 2025, recorded their longest-ever combined outflow streaks, with Bitcoin spot ETFs shedding more than $4 billion in a single month. The Federal Reserve, under newly appointed Chair Kevin Warsh, removed its cut-bias language at the June 17 FOMC meeting and moved its median end-2026 rate projection to 3.8%, signaling a potential hike rather than the easing that much of the market had been pricing.

Against that backdrop, this report assesses where Bitcoin and Ethereum stand entering the second half of 2026, what has changed in the investable thesis, and what confirmation signals matter most for institutional allocators navigating the remainder of the year.

The analysis is grounded in the data available as of July 8, 2026. Two tentative but material developments separate the current moment from the depth of the June selloff: Bitcoin found structural support above its Realized Price and has begun recovering, and early July has produced the first sustained ETF inflow days for both assets in months. These are early signals, not confirmed trends. The report treats them as such.

The audience for this research is buy-side investors – asset managers, allocators, and portfolio managers who are tracking digital assets as an allocation decision, not a speculative trade. The framework throughout is institutional: onchain cost-basis analysis, ETF flow dynamics, macro policy, and scenario-based risk framing.

Executive Summary

The Realized Price held. The recovery has started. The macro environment is more hostile.

Bitcoin and Ethereum both entered June 2026 in distress – below key active-investor cost bases, facing sustained ETF outflows, and correlated to a broader risk-off move in global markets. Both assets found structural floors in June and have since staged early recoveries. As of July 8, BTC traded near $62,707 and ETH near $1,752. Neither has reclaimed the levels required to confirm a durable recovery, but neither has broken through its structural floor either.

The most important development of the past six weeks is what did not happen: Bitcoin did not break its Realized Price (~$54,100), and Ethereum did not break $1,500. These levels represent genuine long-term holder cost bases – the point at which the market would signal capitulation rather than consolidation. Both held.

The second development is what has just started: ETF inflows. After June's $4.1 billion in Bitcoin ETF outflows and five consecutive months of Ethereum ETF net redemptions, both asset classes recorded positive inflow days on July 2 and July 7. The inflows are small relative to the outflow damage – $221.7 million and $46.6 million for Bitcoin on those two days, $29 million for Ethereum on July 2 – but they represent the first concrete evidence that institutional sellers have stepped back.

The third development runs in the opposite direction: the Federal Reserve under Kevin Warsh has shifted its posture materially. At the June 17 FOMC meeting, Warsh removed language indicating a bias toward future cuts, raised the inflation forecast to 3.6% headline for 2026, and moved the median dot-plot rate to 3.8% at year-end – implying at least one hike. Nine of eighteen FOMC members now project a hike in 2026. This is not the macro environment that the original H2 bull case assumed.

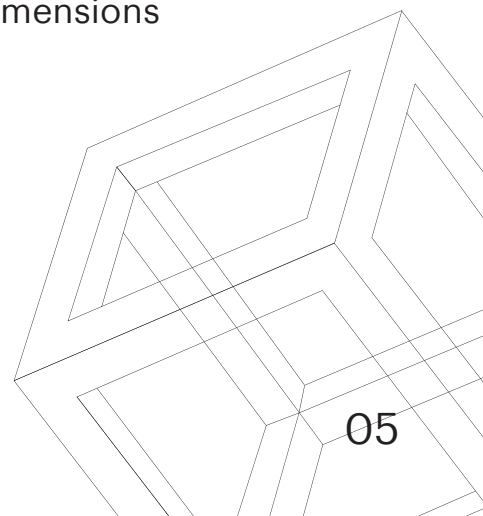
On Bitcoin: BTC's H2 path is conditional on two variables: whether the July ETF inflow data represents a genuine trend reversal, and whether macro conditions stabilize or tighten further under Warsh. The Realized Price (~$54,100) is the structural floor and the risk line. The True Market Mean (~$78,200) is the level that, if reclaimed on a sustained basis, would restore the constructive H2 thesis. In between is the 50-month EMA at ~$65,631 – the first near-term technical confirmation target. The base case is a

consolidation in the $60,000–$70,000 range through Q3 with a move toward $75,000–$80,000 possible in Q4 if Warsh pauses and flow confirmation persists. The bull case – $90,000–$100,000 – requires a macro catalyst not currently in evidence. The bear case – a Realized Price test at $54,100 – remains active if Warsh hikes and ETF inflows reverse.

On Ethereum: ETH's recovery from its June low (~$1,550) to current levels (~$1,752) is modest but structurally meaningful. The $1,500 floor held. The infrastructure story – $163 billion in stablecoin market cap, $16.6 billion in distributed RWA value, $2.2 trillion in 30-day stablecoin transfer volume – continues to grow independently of price. The most significant new variable for ETH in H2 is regulatory movement on staking-enabled ETH ETF products. Approval of a staking ETF would represent a demand unlock from yield-oriented institutional capital (pensions, endowments, insurance) that cannot justify pure-price ETH exposure at current risk-return levels. The base case is a grind toward $1,800–$2,200 by year-end. The bull case ($2,500–$3,000) requires the staking ETF catalyst plus macro stabilization. The bear case ($1,200–$1,400) follows a $1,500 break under sustained selling pressure.

The overarching view: The worst of the H1 selloff appears to be behind both assets. Structural floors held, early flow signals are constructive, and the on-chain holder base has not capitulated. But the recovery from here is not automatic. The Warsh Fed has removed the easing tailwind. Total stablecoin market cap has declined from $321 billion to $290 billion – unlike prior drawdowns, some capital has left the ecosystem rather than waiting on the sidelines. And ETF YTD net flows remain deeply negative (-$5.4 billion for Bitcoin).

For institutional allocators, the posture for H2 is cautious accumulation with defined risk levels, not a trend-following add. The confirmation signals that matter are ETF flow continuity, cost-basis reclamation, and CPI data that reduces the probability of a Warsh hike. Until those signals are in place, position sizing should reflect the reality that the constructive scenario requires things to go right on both the flow and macro dimensions simultaneously.



Bitcoin H2 2026: Structural Support Held — Now the Recovery Needs Confirmation

Introduction

Bitcoin enters the second half of July in a materially weaker position than the mid-May setup suggested, though the worst of the H1 damage now appears to be behind it. BTC trades near $66,707, having bottomed in the high-$50,000s in late June before recovering 6.27% over the past week. That low came close enough to the Realized Price (~$54,100) to test long-term holder conviction without breaking it – the most important structural read from the past six weeks.

The damage from the first half is significant. Total crypto market cap excluding stablecoins fell sharply through Q2, and stablecoin supply – which held firm during Q1, suggesting capital was parked rather than exiting – has since declined from $321 billion to $290.2 billion, a sign that some capital has left the ecosystem rather than waiting on the sidelines. Year-to-date net ETF flows are -$5.4 billion; June alone saw over $4.1 billion exit spot Bitcoin products. Early July has produced the first two confirmed positive ETF flow days in months: $221.7 million on July 2 and $46.6 million on July 7. Two days is not a trend, but it is the first concrete evidence that institutional sellers have stepped back.

The Federal Reserve's posture has also shifted. Kevin Warsh, who became Chair in May, removed cut-bias language at his first FOMC meeting on June 17, raised the 2026 inflation forecast to 3.6% headline, and moved the median dot-plot rate to 3.8% at year-end, implying at least one hike. Nine of eighteen FOMC members now expect a hike in 2026. That is not the macro environment the original H2 bull case assumed.

The investable thesis has narrowed but not closed. Bitcoin can advance toward a higher valuation band in H2 if ETF inflows build into a sustained trend and macro conditions stabilize under Warsh. A failure to hold the $58,000–$60,000 support zone would return the market to a Realized Price test near $54,100.

One structural concern that deepens this risk: the DATCO cohort — digital asset treasury companies led by Strategy — which historically provided an offset bid when ETF flows went negative, has been weakened. Strategy's STRC preferred stock traded to an intraday low of $82.53 in June, closing its BTC acquisition window and forcing the company to draw on cash reserves to service dividend obligations. With both institutional demand pillars under simultaneous pressure, the early July ETF inflow reversal carries more weight than it would in a healthier structural environment.

Where Bitcoin Stands on the Cost-Basis Map

Bitcoin's H2 outlook begins with the on-chain cost basis map. The picture is materially different from the mid-May setup.

Market model	Level	Investor meaning
Active Investors Mean	$85,000	Upper recovery threshold — ~33% above spot
Short-Term Holder Cost Basis	~$79,100–$81,000	Recent buyer breakeven — above spot
True Market Mean	$78,200	Active investor breakeven — above spot
50-Month EMA	~$65,631	Near-term technical resistance
Spot Price	~$62,707	Current market
Realized Price	~$54,100	Aggregate on-chain cost basis — structural floor

Bitcoin is currently trading below the True Market Mean and short-term holder cost basis — the opposite of the mid-May setup when it had reclaimed both levels. That matters because when spot trades below these levels, the majority of recently active investors are holding positions at a loss, which historically suppresses risk appetite and increases sell pressure.

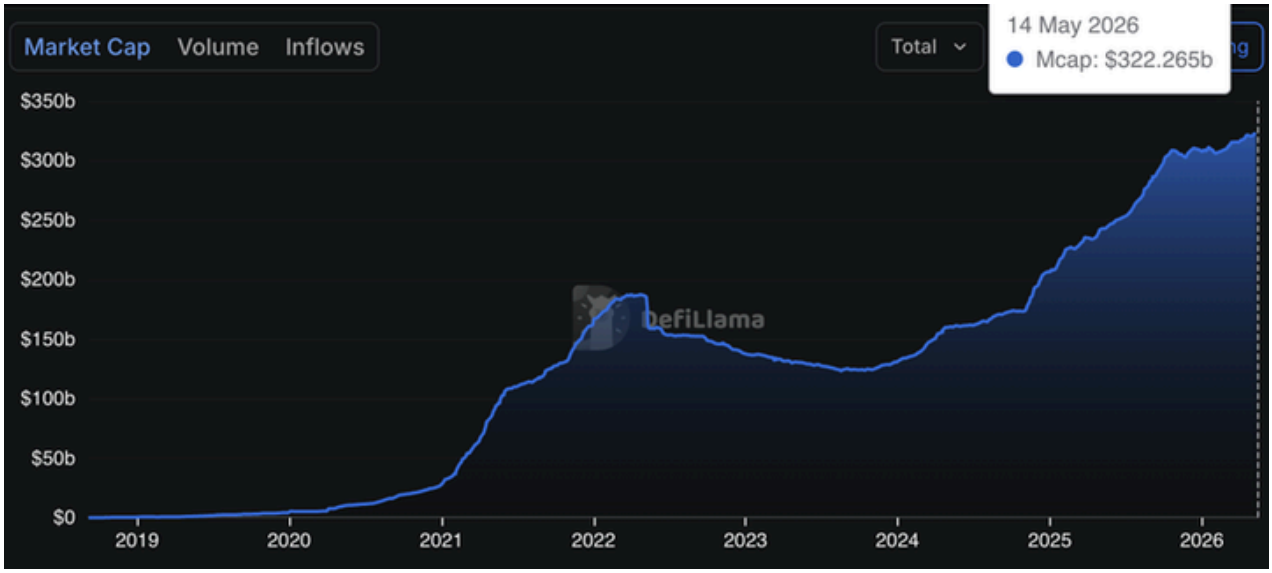
The near-term test is the 50-month EMA at ~$65,631. A sustained hold above that level on a weekly close would be the first technical confirmation that the recovery is building structure rather than bouncing within a larger range. A reclaim of the True Market Mean at $78,200 — roughly 22% above current levels — would restore the constructive H2 thesis. Failure to hold the $58,000–$60,000 range on any renewed selloff would expose the Realized Price near $54,100 as the next meaningful structural level.

The framework for H2 is unchanged from the original. It is now being applied from a lower starting point.

What Happened in the First Half of 2026

The first quarter flushed out speculative excess. The second quarter flushed out the recovery.

Crypto market cap excluding stablecoins fell roughly 18% in Q1 2026. Unlike prior drawdowns, stablecoin supply did not hold firm through Q2: total stablecoin market cap has declined from $321 billion in early 2026 to $290.2 billion as of early July, with USDT falling from ~$189.7 billion to $184.1 billion and USDC from ~$76.9 billion to $73.0 billion. Capital did not simply park – some of it left. That reduces the redeployment optionality that made the Q1 stablecoin build-up constructive.



Bitcoin's cycle structure also shifted. The current cycle, which began in 2022, tracked the 2015–18 path for roughly two years before diverging in Q1 2025 as long-term holders de-risked. The market is now more than 40 months into the cycle, which makes historical analogs less reliable. That does not mean cycles have disappeared. It means the dominant timing variable has changed.

The data says supply quality improved during the drawdown. Bitcoin supply moved within the last three months fell 37% in Q1 2026, while supply unmoved for more than one year rose 1%. Hot money exited but stickier supply gained share. That dynamic extended through Q2: the June selloff into the high-$50,000s did not produce long-term holder capitulation. Stickier supply remained in place.

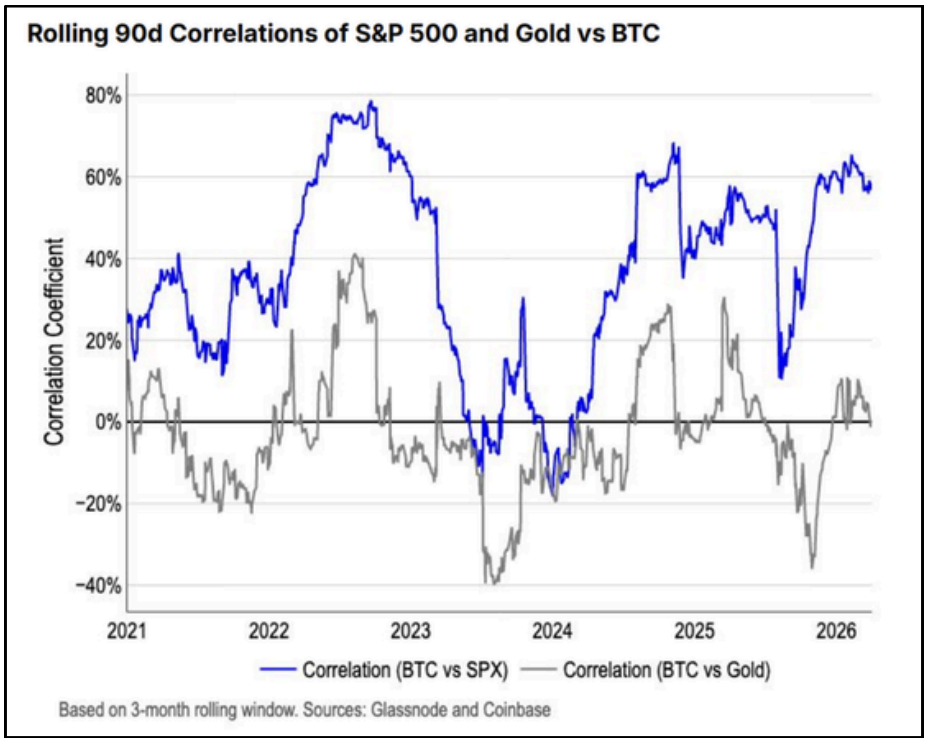
That is the most constructive read from the first half.

What's Changing

Three structural changes are shaping Bitcoin's second-half price path, though one of them has materially shifted since the original analysis.

First, ETF flows remain at the center of marginal price discovery, but the signal has inverted. The sixth consecutive positive inflow week reported in mid-May gave way to the most sustained outflow streak since ETFs launched: June's total outflows exceeded $4.1 billion, adding to a 13-day streak in late May and early June that shed $4.33 billion. Year-to-date net ETF flows are now -$5.4 billion. The first reversal signal arrived in early July: $221.7 million of inflows on July 2 – the largest single-day intake in roughly two months – followed by $46.6 million on July 7. Research suggests ETF flows now explain approximately 45% of weekly Bitcoin price moves. That makes the sustainability of these early July inflows the single most important indicator to watch.

Second, derivatives have rebalanced after an extended deleveraging period. Bitcoin futures open interest, which reached $57.62 billion in mid-May, fell to 6-month lows during the June selloff before recovering to $47.71 billion as of July 7, up 6.11% over 30 days. The June 26 options expiry – the largest single settlement date of the quarter – passed without a volatility shock. Positioning has rebuilt at a measured pace, consistent with accumulation rather than speculative excess. Over $450 million in short liquidations triggered mechanical buying above $62,000 in the early July recovery.

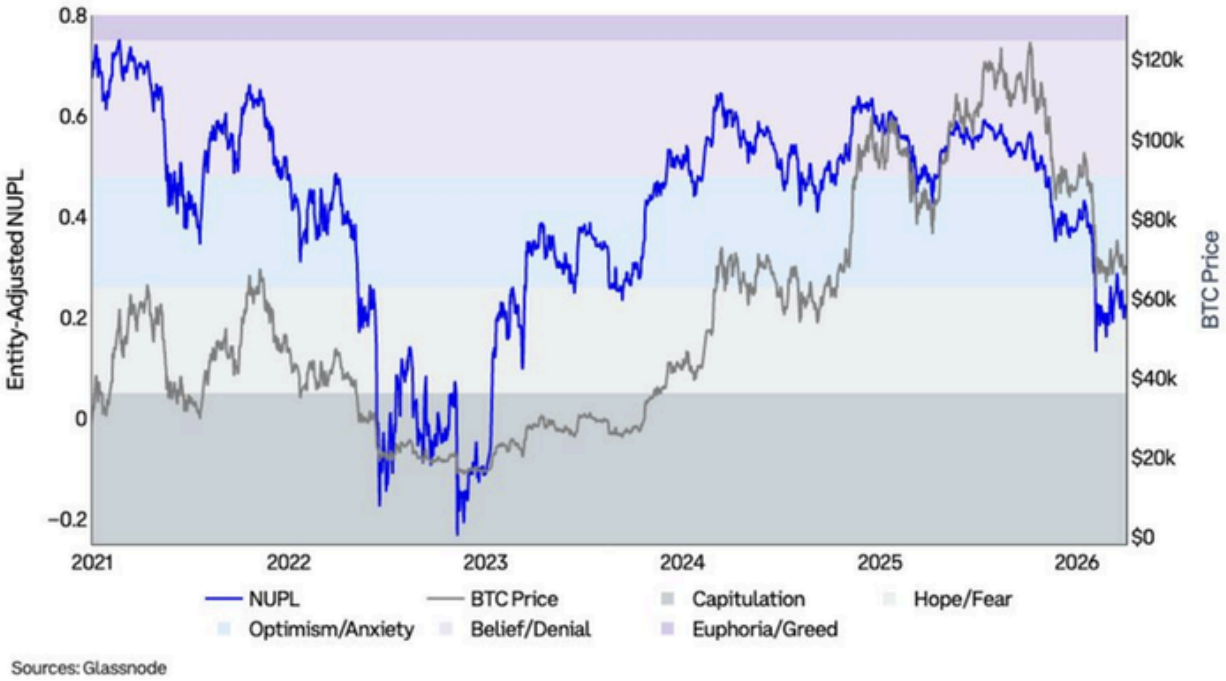


Third, Bitcoin continues to trade as a macro asset. The correlation between daily BTC and S&P 500 returns remains elevated. That relationship now runs through the Federal Reserve more directly than at any point in this cycle, because Warsh's FOMC has signaled that tightening, not easing, is the next directional risk. A softer June jobs report (released July 3) modestly cooled near-term hike fears and contributed to Bitcoin's recovery into early July, but it is one data point against a structurally hawkish Fed posture.

Why It Matters for Investors

The first-half weakness has created a potentially better entry framework for H2, but the sentiment transition that was underway in May has been interrupted.

Entity-adjusted NUPL, which appeared to be breaking into Optimism territory in May, likely retreated toward Fear or Capitulation during the June selloff into the high-$50,000s. The recovery into early July has started a repair process, but the sentiment cycle has lost the clean fear-to-optimism transition that defined the most compelling entry periods in prior cycles.



Profitability data is more nuanced. Bitcoin's supply profitability metric improved as longer-term holders did not capitulate during the June low. Long-term holder profit-taking remains well below cycle peak levels above $1 billion per day. Realized losses, which were running near $479

million per day earlier in the year, need to compress below $200 million per day on a sustained basis before the recovery regime can be considered durable. That compression has not yet been confirmed.

The stablecoin picture requires a specific update: unlike the Q1 pattern, where rising stablecoin supply signaled dry powder waiting to re-enter, the Q2 decline in total stablecoin market cap from $321 billion to $290.2 billion tells a different story. Some capital has exited the ecosystem rather than waiting. That reduces the redeployment tailwind the original outlook assumed.

The Structural Demand Gap: When ETFs Sell, Who Buys?

The June selloff exposed a structural problem that the market's original H2 framework did not fully account for: the two primary institutional demand pillars for Bitcoin were under stress simultaneously.

The first pillar — spot ETFs — turned into net sellers. Year-to-date net ETF flows have swung to -$5.4 billion. Research suggests ETF flows now explain approximately 45% of weekly Bitcoin price moves. When that cohort becomes a net seller at scale, the question is what absorbs it.

The answer used to be DATCOs — digital asset treasury companies like Strategy (Nasdaq: MSTR) and its peers, which hold Bitcoin on corporate balance sheets and have structurally been accumulation-oriented buyers. In prior drawdowns, DATCO demand provided a meaningful offset to ETF-driven selling.

That offset is no longer reliable. Strategy's STRC preferred stock — a perpetual preferred with a $100 par value that Strategy uses to fund BTC purchases — hit an intraday low of $82.53 in June, its deepest drawdown since launch. When STRC trades below par, Strategy's issuance-to-acquisition flywheel closes: it can no longer raise capital cheaply through preferred stock to buy Bitcoin. As of June 22, Strategy holds 847,363 BTC at an average acquisition cost of $75,646 — an unrealised loss of roughly $9.3 billion at current prices. To service dividend obligations on STRC during the drawdown, Strategy drew on its dedicated dollar reserve (which stood at $1.4 billion per its June 22 8-K filing), rather than acquiring more Bitcoin.

The STRC stress is not a default scenario — analysts at Benchmark and TD Cowen have pushed back on the most bearish readings, noting that STRC is a credit product, not a Bitcoin proxy, and that Strategy's $1.4 billion reserve provides a meaningful buffer. The preferred has recovered before, aided by seven consecutive dividend rate increases (now at 11.5% annualised). But the signal it sends about the DATCO demand model matters for H2: a cohort that was assumed to be structurally bid has demonstrated it can be sidelined by its own financing mechanics precisely when the ETF bid is also absent.

For H2, this means the recovery depends more narrowly on ETF inflows than the original framework assumed. There is no comparably sized offset bid waiting in the wings. The early July ETF reversal is therefore more consequential — and more fragile — than it would be in a market with a healthy DATCO bid providing structural support beneath.

Macro Still Owns the Tape

The Federal Reserve is a more significant constraint than it was at the original time of writing. Kevin Warsh became Chair on May 15, 2026, and his first FOMC meeting on June 17 produced a materially hawkish signal. The FOMC voted unanimously to hold the target range at 3.5%–3.75%, but Warsh removed language indicating a bias toward future cuts, which Powell had maintained throughout his tenure. The updated dot plot moved the median end-2026 rate to 3.8%, above the current range, implying at least one hike. Nine of eighteen members expect a hike in 2026. The committee also raised its 2026 headline inflation forecast to 3.6% and core to 3.3%, citing persistent energy price pressure tied to geopolitical factors.

The softer June jobs report, released July 3, modestly reduced near-term hike probability and contributed to BTC's recovery into early July. But the Warsh signal is structural: the Fed has removed the easing bias that underpinned the liquidity recovery scenario in the original H2 outlook. Bitcoin no longer benefits from a market pricing future cuts.

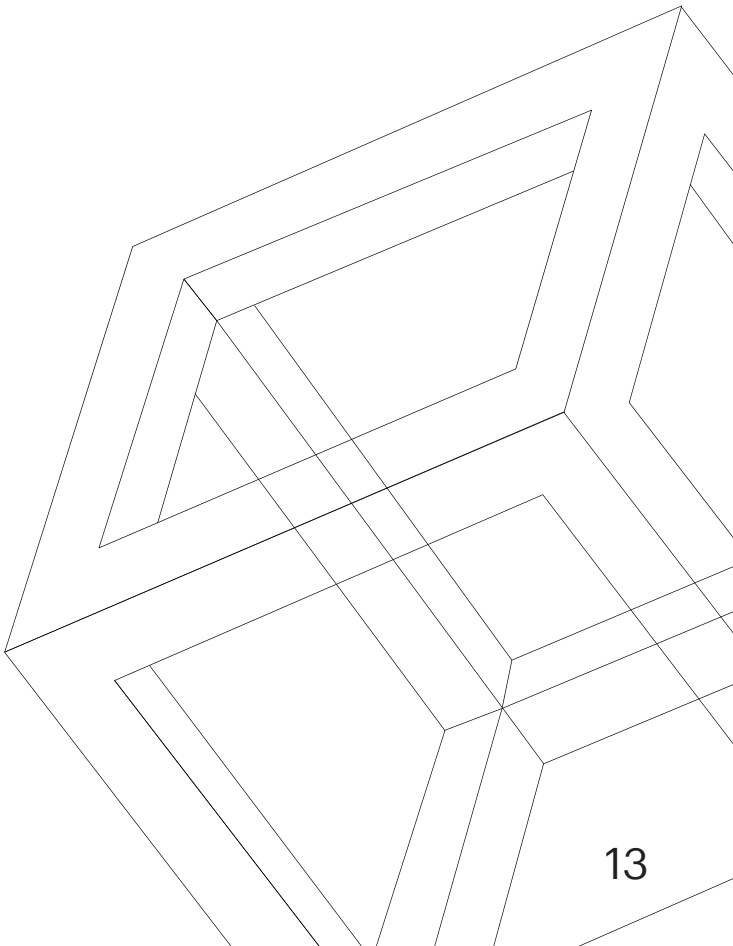
The key H2 macro question has sharpened: it is no longer whether liquidity conditions stop deteriorating. It is whether they tighten further. Bitcoin does not need a perfect macro backdrop, but it cannot sustain a recovery if Warsh delivers a hike that causes a broad risk-off move.

Where Value Is Captured

The cleanest value capture remains Bitcoin itself: a scarce asset increasingly accessible to institutional capital through regulated wrappers.

That story is intact regardless of the price level. The second layer is infrastructure. ETF issuers, custodians, authorized participants, market makers, derivatives venues and stablecoin platforms are capturing the economics of institutionalization. Every new dollar into a Bitcoin ETF creates activity across custody, creation-redemption, hedging and execution. The 13-day outflow streak did not dismantle that infrastructure; it tested it.

The third layer is liquidity management. The stablecoin supply decline from $321 billion to $290.2 billion is a cautionary revision to the original thesis here. Rather than stablecoin issuers and yield platforms benefiting from capital waiting inside crypto for better entry points, the Q2 data suggests capital found the door. Whether the early July ETF inflows mark the beginning of a reversal in that dynamic is the most important open question for H2 liquidity.



Bitcoin H2 Outlook: Three Scenarios

Base case: consolidation in the $60K–$70K range, recovery toward $75K–$80K in Q4

Bitcoin holds above $58,000–$60,000, early July ETF inflows extend into a multi-week trend, and the 50-month EMA at ~$65,631 is reclaimed on a weekly close. Realized losses compress, the Warsh Fed holds rather than hikes, and price makes a measured move toward $75,000–$80,000 in Q4. This is a recovery trade, not a bull market – the path to the True Market Mean is gradual and volatile.

Bull case: allocator bid broadens, macro catalyst unlocks

ETF inflows accelerate to $300 million+ weekly on a sustained basis, stablecoin capital that left the ecosystem begins returning, and the Fed's September or November meeting produces a credible pause-on-hikes signal supported by softer CPI prints. Bitcoin reclaims the True Market Mean ($78,200) before year-end and challenges $90,000–$100,000. This scenario requires macro conditions not currently in evidence.

Bear case: Warsh hikes, cost-basis failure

The Fed delivers a 25 bp hike, equity markets sell off, and Bitcoin loses the $58,000–$60,000 support zone. ETF inflows reverse after the brief early July positive run. The DATCO offset bid remains sidelined as STRC stays below par and Strategy's acquisition flywheel stays closed. The market tests the Realized Price near $54,100 in earnest. A sustained break below $54,100 would mark a deeper cycle deterioration and the most significant capitulation event of the 2022-cycle.

What Investors Should Watch Next

The most important indicator for H2 is ETF net flow continuity. July 2 and July 7 are two data points; a sustained multi-week positive trend is the threshold for calling a genuine trend change. Watch weekly totals from Farside Investors as the primary signal.

The second cluster is cost-basis reclamation: whether Bitcoin holds the 50-month EMA (~$65,631) on a weekly close, and ultimately whether it reclaims the True Market Mean (~$78,200). A sustained hold above $78,200 would shift the scenario balance materially.

The third is macro: June and July CPI prints will determine whether Warsh hikes. Consecutive sub-3.5% monthly core CPI reads would reduce hike probability significantly. The BTC–S&P 500 correlation remains the transmission mechanism; equity volatility passes directly to crypto positioning.

The fourth is STRC and the DATCO cohort. A sustained recovery of STRC back toward par ($100) would reopen Strategy's BTC acquisition flywheel and restore the offset bid that was absent during June's selloff. Watch STRC's market price as a secondary institutional demand indicator alongside ETF flows — the two together define the marginal bid for Bitcoin at scale.

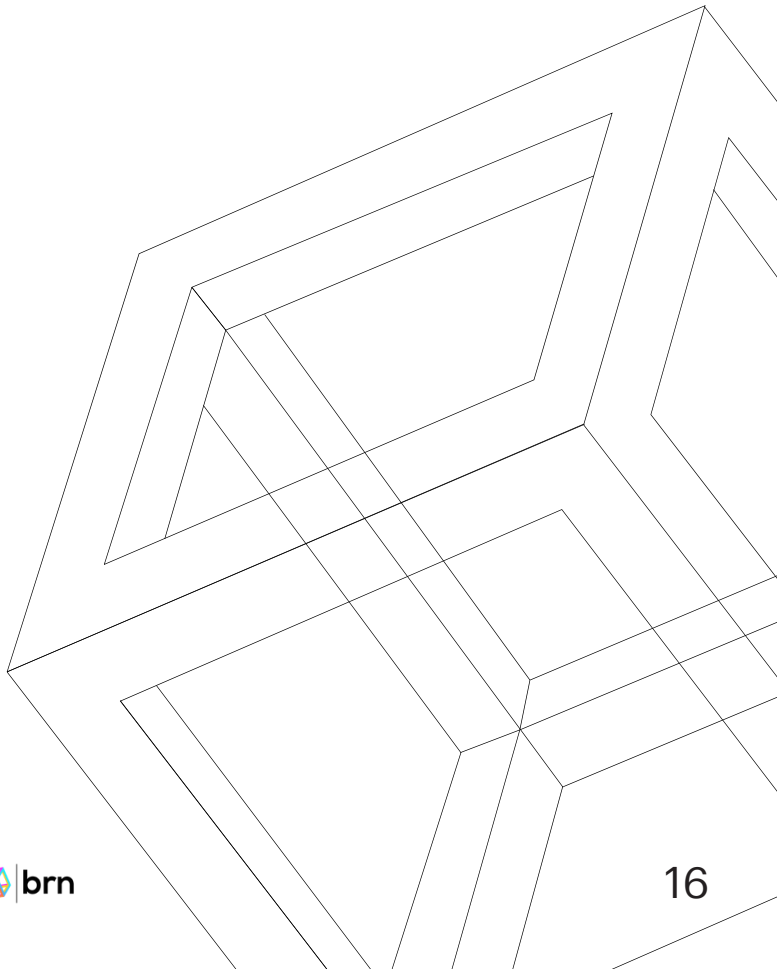
The fifth is policy. The Clarity Act and stablecoin legislation remain potential liquidity catalysts. Stablecoin market cap has already declined – legislation that restores institutional confidence in holding and deploying dollar-denominated on-chain liquidity would directly expand the redeployment pool.

Investment Thesis

Bitcoin comes into the second half of July in a structurally sound but tactically demanding position.

The Realized Price held through the June selloff. Long-term holders did not capitulate. Early ETF inflows have arrived. Those are the ingredients for a recovery. The missing element is confirmation: inflows need to sustain across weeks, cost bases need to be reclaimed, and the Warsh Fed needs to signal a pause before the recovery can be treated as a trend rather than a bounce.

The sharp thesis: initiate or add exposure in the $60,000–$65,000 range, sized to the $54,100 Realized Price as the stop. First confirmation target: 50-month EMA (~$65,631). Second confirmation target: True Market Mean (~$78,200). Size conservatively – the Warsh hawkish pivot means the macro tailwind is not on offer, and the stablecoin data suggests the dry-powder pool is smaller than it was. H2 upside belongs to investors who track flows and hold discipline on their entry levels, not those who assume the worst is over simply because the recent low held.



Ethereum H2 2026: Infrastructure Thesis Intact, Price Recovering From Its Floor

Introduction

Ether enters the second half of July in a position that is better than its June lows but weaker than the original mid-May outlook assumed. ETH trades near $1,767, having recovered from a trough near $1,550 in early June — the bottom of the $1,500–$1,800 range that the prior analysis identified as the bear case. That floor held. The five-month stretch of net ETF outflows that defined Ethereum's H1 is showing the first signs of reversal: $29 million in net inflows on July 2, led by BlackRock's ETHA, marked the second consecutive positive day after a nine-day outflow streak.

The structural story has not changed and is arguably stronger than it was in May. Stablecoins on Ethereum carry approximately $163 billion in market cap. RWA.xyz shows $16.6 billion in distributed real-world asset value and $2.2 trillion in 30-day stablecoin transfer volume on Ethereum. The Pectra upgrade has improved account abstraction and validator flexibility, and ETH has continued to outperform major L2 tokens since October 2025. The base layer is not losing ground.

The most significant new development for H2 is regulatory movement on staking-enabled Ethereum ETF products. If approved, staking ETFs would add native yield to what is currently a pure-price institutional product — potentially opening demand from income-oriented allocators (pension funds, endowments, insurance capital) who cannot justify pure-price ETH exposure at current risk-return levels. This was not in the original H2 scenario map. It is now the most important upside catalyst to watch.

The macro backdrop has tightened since May. Kevin Warsh's first FOMC meeting as Chair on June 17 removed cut-bias language, moved the median end-2026 dot-plot rate to 3.8% (implying a potential hike), and raised the 2026 headline inflation forecast to 3.6%. For Ethereum — a long-duration risk asset where the investment case rests on future-state adoption stories — an elevated discount rate is not neutral. ETH's H2 upside remains conditional on both crypto-native flow recovery and macro stabilization.

The H2 thesis has shifted from catch-up trade to base-building with a specific catalyst: whether staking ETF approval and sustained ETF inflows can convert Ethereum's settlement dominance into visible ETH price appreciation from a lower starting level. One additional headwind has emerged however: a significant leadership exodus at the Ethereum Foundation. Eight senior figures have left the organisation over five months, including both co-executive directors. The restructure — 54 staff cut, reorganised into five operating clusters — could be read as streamlining, but the governance vacuum at the top adds an institutional risk premium that was not previously in the ETH risk map.

ETH Is Building a Base From a Deeper Hole

Ether's cycle has lasted more than 45 months from the 2022 low. For roughly two years, the path resembled the 2018–2022 cycle. Then the pattern broke. ETH stalled, capital rotated away, and the 2026 selloff deepened through mid-year, pushing price to the $1,500–$1,550 range before recovering.

The on-chain profile remains more constructive than price alone suggests.

Metric	Current signal	H2 implication
ETH spot price	~$1,767 (recovered from ~$1,550 June low)	Base building underway
ETH NUPL	Likely Fear/early Hope after June selloff	Sentiment repair restarting
1Y+ dormant supply	Up 1% in Q1 2026; long-term holders did not capitulate in June	Stronger holder base
<3M active supply	Down 38% in Q1 2026; continued reduction expected	Speculative churn reduced
ETH ETF flows	Months of outflows; first positive days in early July	Potential inflection
Ethereum stablecoin cap	~$163B	Base-layer liquidity depth
Ethereum RWA distributed value	~$16.6B	Tokenization value accrual
Staking ETF regulatory status	Active regulatory focus — new H2 catalyst	Potential demand unlock

That mix defines the outlook. ETH has not recovered to its May levels, yet the network is hosting growing financial activity and the long-term holder base remains intact. The price question for H2 is whether the early July ETF inflow signal extends into a trend, and whether the staking ETF regulatory process delivers a decision.

What Happened

The first half exposed Ethereum's structural tension: usage growth across the broader ecosystem does not automatically translate into ETH price outperformance.

Layer-2 networks expanded and stablecoins grew. Tokenized assets gained institutional relevance while DeFi remained active. Yet ETH's price underperformed, and sentiment fell into capitulation during February's selloff before only partially recovering through May. The second wave of selling in June pushed ETH from ~$2,255 to a low near $1,550 — a ~31% decline over roughly six weeks.

Three forces drove the gap between network activity and price. First, speculative capital left quickly and did not return. The 38% decline in supply moved within three months shows that short-term holders exited and stayed out. Second, the ETF bid deteriorated significantly after April. Ethereum spot ETFs, which recorded $356 million of net inflows in April, posted approximately $540 million of outflows in May and continued negative through most of June — a 17-day consecutive outflow streak at the worst point. Third, DeFi security risk returned to the foreground after the KelpDAO exploit, where Chainalysis said attackers linked to North Korea's Lazarus Group stole roughly $292 million of rsETH through an attack on off-chain infrastructure rather than a direct smart-contract bug. That was a confidence shock. Ethereum did not break, but the market's tolerance for complexity declined.

The constructive read from June: ETH found buyers above $1,500. Long-term holders did not capitulate. The floor identified in the earlier bear case analysis held.

What's Changing

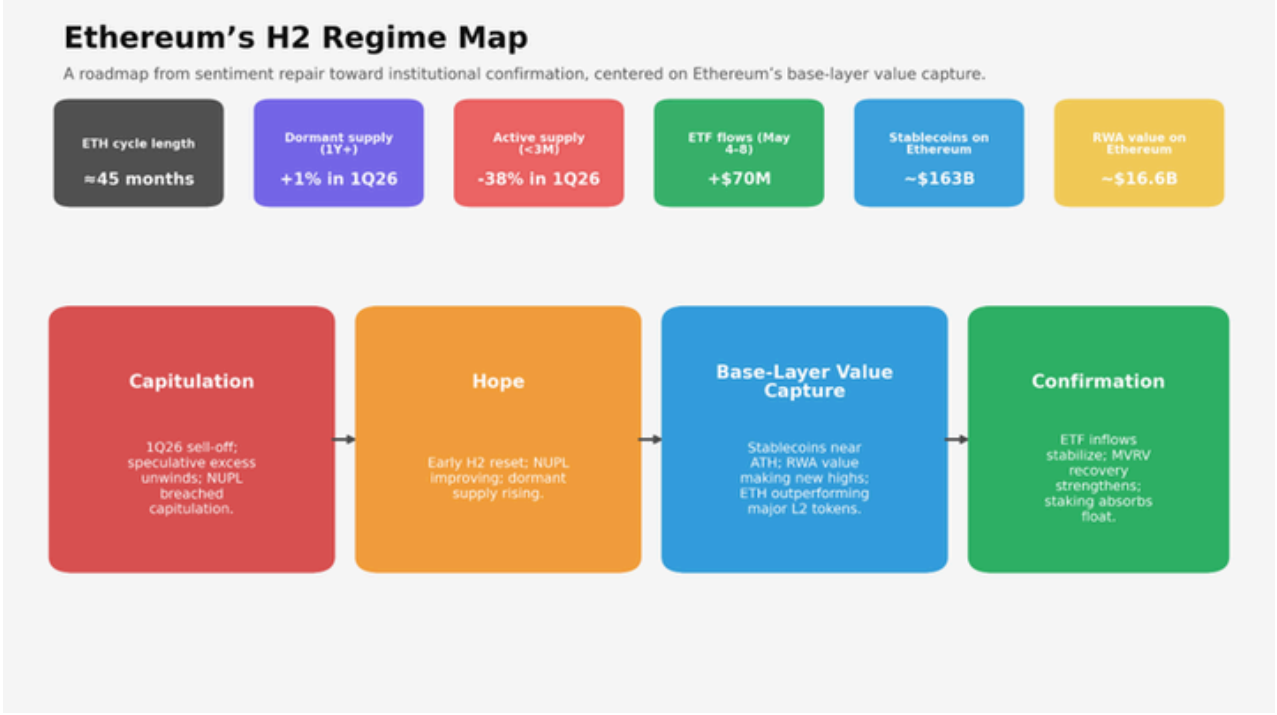
Three changes matter for H2, with one that was not present in the original analysis.

The first is sentiment. The NUPL metric, which appeared to be transitioning from Capitulation toward Hope in April before the June selloff interrupted that move, is now restarting the repair process from roughly Fear territory. The fear-to-hope transition is typically where early recovery positions are built, not where recoveries are confirmed. The current zone is consistent with accumulation rather than chasing.

The second is supply behavior. Dormant supply continues to rise while short-term active supply falls. That structure means liquid supply pressure is easing. Price can move faster if demand returns, since fewer coins are actively circulating and long-term holders are absorbing rather than distributing.

The third, and new, is staking ETFs. Regulatory movement on staking-enabled Ethereum ETF products represents the most significant potential demand catalyst for ETH in H2. A staking ETF would allow institutional investors to hold ETH exposure with native staking yield attached – a fundamentally different product from what currently exists. The addition of yield changes the investor universe: income-oriented allocators who cannot justify a pure-price risk asset at current expected returns become potential buyers. Approval timing and probability remain uncertain, but the regulatory direction of travel is clearer than at any point since ETH spot ETFs launched in 2024.

RWA.xyz shows Ethereum with $16.14 billion of distributed asset value, 198,246 RWA holders, and $20.296 billion of 30-day RWA transfer volume. Stablecoins are even larger: Ethereum stablecoin market cap is about $152.5 billion on DefiLlama, while RWA.xyz shows Ethereum stablecoin transfer volume near $2.11 trillion over 30 days. That is traditional-market relevance expressed onchain, and it continues to grow regardless of ETH price.

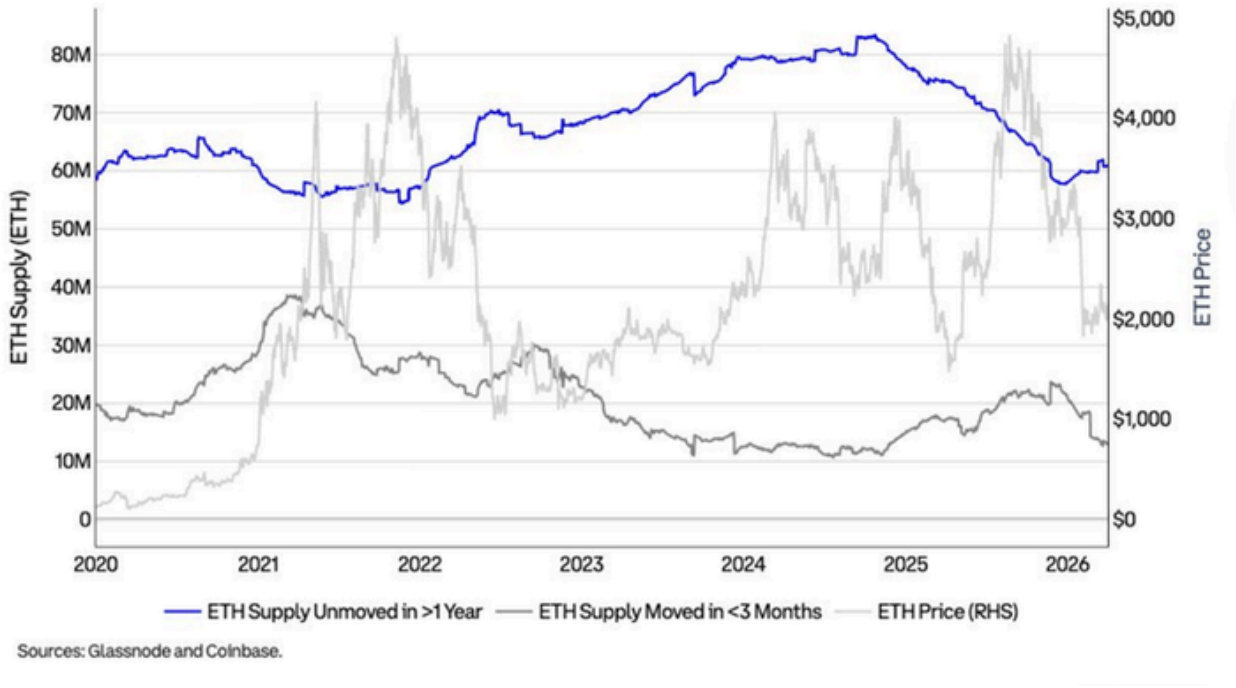


Why It Matters for Investors

Ethereum is becoming a differentiated infrastructure asset. The market used to trade ETH as high-beta crypto exposure. That framing is incomplete for H2, and increasingly irrelevant to the institutional investor base that drives marginal demand.

ETH now sits at the center of four investable themes: stablecoins, tokenization, staking yield and settlement security. Each has a different value-capture mechanism. Stablecoins bring transaction demand and liquidity. Tokenized assets bring institutional use cases. Staking creates yield and locks supply. Settlement security makes ETH the collateral-like asset that underpins the system.

The key debate remains whether the Ethereum economy captures value at the base layer or leaks it to applications, L2s and off-chain service providers. Recent relative performance offers a consistent signal: ETH has outperformed major L2 tokens since October 2025. This suggests investors are concentrating base-layer preference in the settlement asset even as both decline in absolute terms. That preference is the foundation of the H2 bull case.



The Traditional-Markets Intersection

Ethereum's link to traditional finance is more direct than most crypto assets, and it strengthened through H1 despite the price weakness.

Tokenized Treasuries, private credit, stablecoin payments and institutional wallets all require settlement infrastructure. Ethereum is already the primary venue for those flows. The Pectra upgrade added account-abstraction features through EIP-7702 and increased validator balance flexibility through EIP-7251, making the network more usable for institutional wallets, custodians and staking operators.

The macro link has become more restrictive. At his June 17 FOMC meeting, Warsh removed cut-bias language, raised the inflation forecast to 3.6% headline for 2026, and moved the median dot-plot rate to 3.8% at year-end. Nine of eighteen FOMC members expect at least one hike. That backdrop raises the discount rate for long-duration crypto assets and limits multiple expansion on Ethereum's adoption story even when network fundamentals improve. A softer June jobs report modestly reduced near-term hike fears, but the Warsh structural signal remains in place.

ETH's H2 upside therefore depends on both crypto-native flow recovery and macro tolerance for risk – the same dual requirement as in the original outlook, now applied from a lower starting price and against a tighter Fed.

Where Value Lies

The strongest value lies at the intersection of settlement and yield, and the staking ETF development adds a new dimension to that thesis.

Ethereum is the chain where dollar liquidity, tokenized instruments and institutional DeFi meet. That creates value for validators, staking platforms, custodians, ETF issuers, tokenization firms and wallet infrastructure. ETH captures value through fees, staking economics, monetary premium and its role as the settlement asset.

Large institutional staking is a signal to watch. One entity controls more than 4 million ETH staked, equal to approximately 10.5% of Ethereum's total staked supply. Concentrated staking supports supply absorption and yield capture while introducing centralization and governance questions. If staking ETFs launch and institutional staking scales further, this dynamic will intensify. The net effect on ETH supply and yield is constructive; the governance concentration is a risk that institutional allocators should monitor.

Where Risk Lies

The first risk is ETF flow inconsistency. Five months of net outflows cannot be reversed by two positive days. ETH ETFs need a sustained multi-week inflow trend to change the market's marginal buyer. Watch weekly totals from Farside Investors.

The second risk is complexity. The KelpDAO episode showed how vulnerabilities in off-chain infrastructure can spread across DeFi markets even when core smart contracts function as designed. That risk premium has not been fully priced out. Another high-profile exploit would reset the ETF flow picture before it has had time to rebuild.

The third risk is value leakage. If stablecoins and RWAs grow while ETH fee revenue stays muted and L2s capture more execution economics, investors will continue discounting ETH despite ecosystem expansion. The staking ETF, if approved, directly addresses this by giving ETH a yield floor independent of fee activity.

The fourth risk is macro. Warsh has removed the cut-bias signal and the

median dot plot implies a hike. ETH remains a risk asset. If the Fed delivers a 25 bp hike and equities sell off, the $1,500 floor will be tested again. A sustained break below $1,500 would represent the bear case materializing.

The fifth risk is Ethereum Foundation governance. The EF announced in June that it had cut 54 staff — approximately 20% of the organisation — and reorganised into five operating clusters covering protocol, access, user, community, and institutional work. The restructure was framed as a streamlining mandated by the EF's 2025 governance documents. But the context is harder to reframe: eight senior figures have left over the past five months, both co-executive directors are gone (Tomasz Stańczak earlier in 2026, Hsiao-Wei Wang in June), and no permanent replacement has been announced for either role. Board member Bastian Aue is serving in an interim capacity.

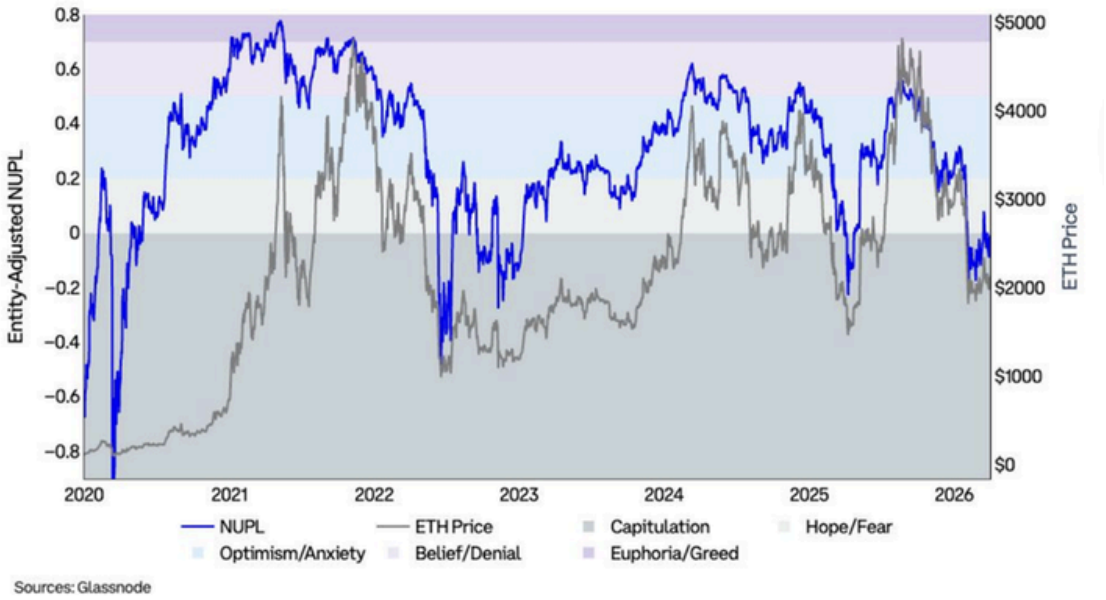
Separately, Glamsterdam — the protocol's most significant upgrade since the Merge, targeting a 3.3x gas limit expansion and approximately 10,000 transactions per second on L1 — has been pushed to Q3 2026 after missing its earlier H1 target. For institutional allocators who require clear lines of accountability and a predictable protocol roadmap, the leadership vacuum is a concrete rather than abstract concern. The restructure may ultimately produce a leaner, more execution-focused organisation; the transition period is the risk.

What Investors Should Watch Next

First, ETH ETF flows. A multi-week sustained inflow trend – not a two-day reversal – is the threshold for calling genuine institutional re-engagement. Two consecutive positive days in early July is a pause in the outflow trend, not a confirmation of a new one.

Second, staking ETF regulatory developments. Any SEC or regulatory communication on staking-enabled ETH product approval should be treated as a direct price catalyst. This is the highest-impact potential development for ETH in H2 and was not present in the original outlook.

Third, NUPL. A durable move from Fear into Hope, and ultimately Optimism, would confirm that the sentiment repair underway since the June low is gaining structure. Watch for the transition to hold rather than reverse.



Fourth, stablecoin and RWA metrics on Ethereum. Rising value and transfer volume on the base layer strengthen the infrastructure thesis and provide the network-activity foundation for any ETH repricing argument.

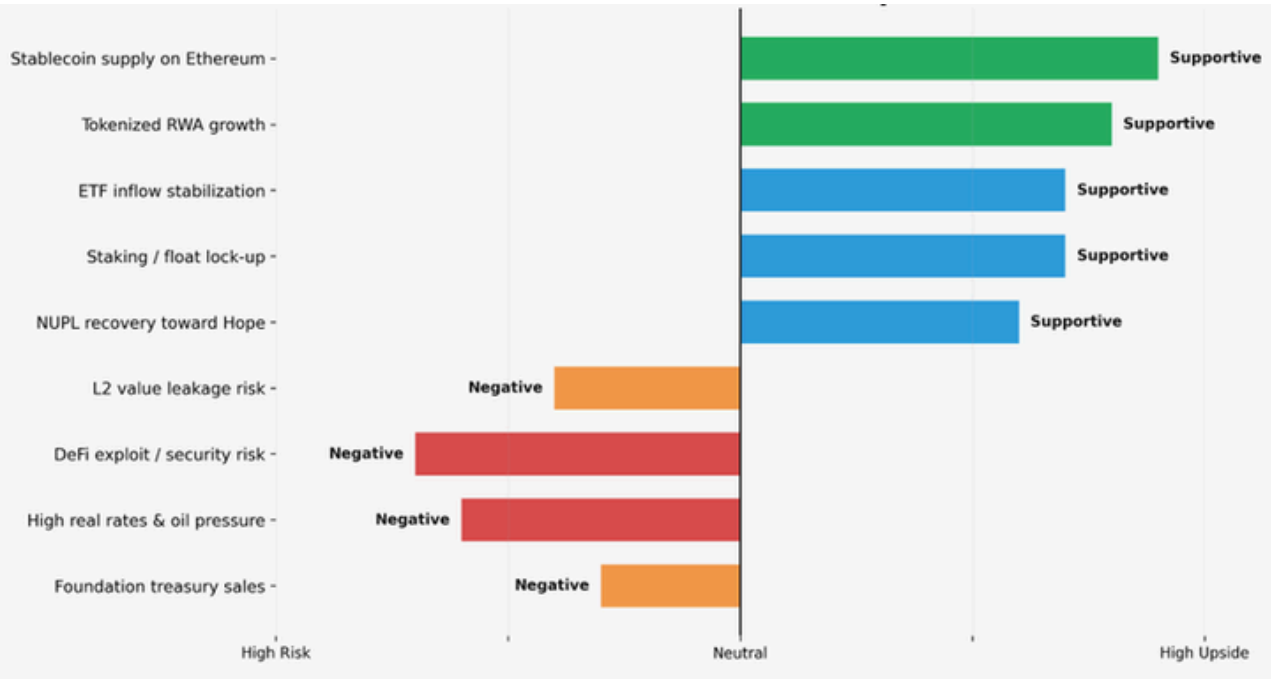
Fifth, DeFi security. Any high-profile exploit – particularly targeting off-chain infrastructure, bridges or custodied assets – would reset institutional appetite in a market that has not yet fully recovered from the KelpDAO confidence shock.

Sixth, Ethereum Foundation leadership resolution. A permanent appointment to the co-executive director role — or a credible signal on who will lead the EF through the Glamsterdam upgrade and beyond — would reduce the governance risk premium currently weighing on institutional sentiment. Conversely, further departures or delays to Glamsterdam would reinforce it.

H2 Price Outlook

ETH's H2 setup is asymmetrical from a lower base, with a new upside catalyst that was not in the original analysis.

A constructive base case is a grind toward $1,800–$2,200 as ETF flows stabilize, NUPL moves from Fear into Hope, and stablecoin and RWA activity remain firm. A bullish case – requiring staking ETF approval and sustained inflows – sees ETH reprice toward $2,500–$3,000 as income-oriented institutional capital enters the market. A bearish case – $1,200–$1,400 – follows a break below $1,500 under renewed macro pressure or a DeFi security event.



Investment Thesis

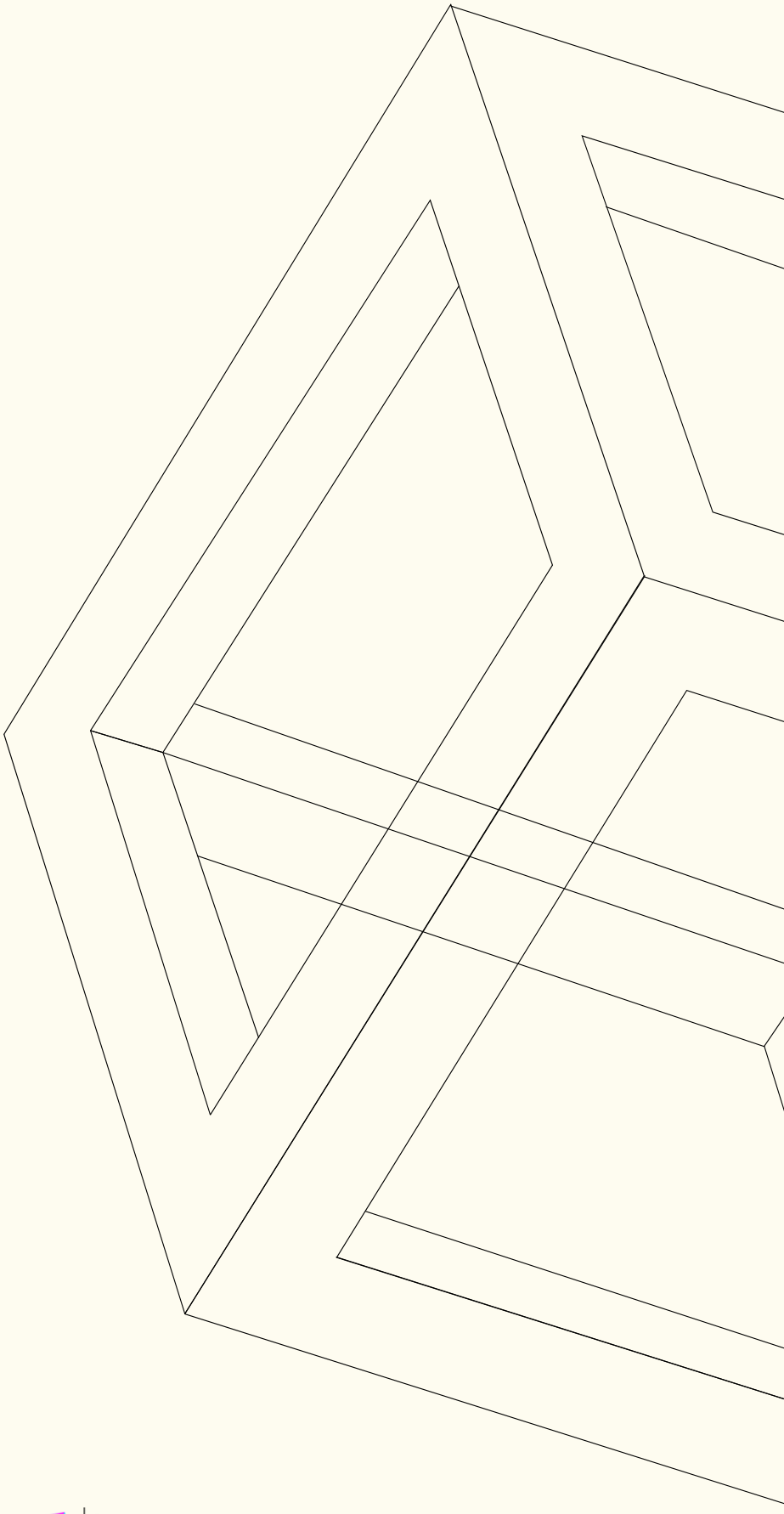
Ethereum enters the second half of July as a base-building asset with infrastructure leverage and one new specific catalyst. Price has significantly lagged the network's financial activity, and that gap creates opportunity if flows recover. The base layer – stablecoin liquidity, tokenized assets, staking security, settlement demand – continues to grow. That is the source of long-term value capture.

The sharp thesis: accumulate ETH in the $1,600–$1,800 range with $1,500 as the structural stop. First confirmation target: a multi-week ETF inflow trend and NUPL entering Hope. Second confirmation target: a move above $2,000 signaling the base-building phase is complete. Size conservatively: Warsh has not finished signaling, the staking ETF outcome is uncertain, and the $1,500 floor will be retested if macro conditions deteriorate further. H2 upside depends on Ethereum proving that settlement dominance can translate into ETH demand through either sustained ETF inflows or the staking ETF demand unlock. If both materialize, the distance between current levels and the bull case is substantial.

Target Price (bullish scenario – staking ETF approval + macro stabilizes): $2,500–$3,000

Target Price (base case – ETF flows stabilize, slow recovery): $1,800–$2,200

Target Price (bearish scenario – $1,500 fails, Warsh hikes): $1,200–$1,400



brn

27 Ann Siang Road, Singapore | 069707
www.thebrn.co
hello@thebrn.co